

Building Human Resources Strategic Planning, Process and Measurement Capability: Using Six Sigma as a Foundation

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Abstract

Establishing Human Resource as a function that creates and adds value to the business is a frequently raised issue. This requires that Human Resources understand business strategy, connect Human Resources strategies to the business strategies and speak the language of the business. An O. D. approach within a global supply chain organization undertook this challenge through a multi-year approach to strategic planning, process improvement and measurement, which can be adapted in a variety of organizations.

Introduction

Establishing the Human Resource function as a strategic business partner is a frequently raised issue both within the function and by the business. Doing this requires that Human Resources understand the business strategy, be able to connect Human Resources strategies to the business strategies and speak the language of the business. An Organization Development approach within a global supply chain organization did just that and built HR internal alignment in the process.

Human Resource (HR) professionals in other industries can apply the approach outlined in this paper. In addition to Human Resource professionals, the approach and learnings from this paper can benefit professionals in strategic planning functions, Six Sigma functions and business leaders who want to better understand the linkage of HR strategy to their business strategy. Strategic Planning professionals and Six Sigma professionals will find insights to help them influence their HR organizations to work in partnership with HR on key process initiatives within their organizations. Business Leaders will find insights into the connections between HR and business strategies, while also identifying ways to include HR in their key planning activities.

The Motorola Corporation began the use of Six Sigma as a management framework in the 1980's. Beginning as a process improvement methodology that relied on statistical analysis, it has evolved to a broader management framework that addresses people issues, cultural change and leadership issues within organizations. When successfully utilized as part of an organization's culture, Six Sigma contributes to the bottom line by improving quality, decreasing process variability, reducing cost and measuring outcomes. In their book, *Six Sigma Leadership Handbook*, the authors define Six Sigma "...in two ways: as a set of powerful tools for improving processes and products and as an approach for improving both the process and people related aspects of business performance" (Rath & Strong, 2003, pg. 3).

Organizational Background

A supply chain organization was formed by bringing together separate supply chains from integrated operating divisions within a large broad based Health Care Corporation. During the first 18 months after the formation, the supply chain organization adopted Six Sigma methodologies as a fundamental approach to process improvement and measurement within the business on a tactical as well as the strategic planning level. Every function was charged with using Six Sigma as the foundation for process definition, process improvement and measurement and strategy alignment.

Eighteen months after the formation of the supply chain organization, representatives of upper management in the organization conducted an internal review on all functions. It was clear that there was variability across the organization in adopting Six Sigma as a way of approaching work. In the supply chain environment, it was clear how to apply Six Sigma methodologies to process definition, improvement, control and measurement. Less evident, was how to effectively apply Six Sigma to non-production related functions, such as Human Resources or Finance for example.

During the internal review, several insights were evident to the leadership representatives from Human Resources: 1) Human Resources had begun but had not fully embraced Six Sigma as a way of approaching the business (both internally and in servicing the other business functions); 2) A Human Resources strategic plan in support of the business strategy was a gap and; 3) Measurement of the function was focused on a couple of traditional metrics, such as turnover and progress on Affirmative Action plans. HR Leadership immediately put in place a plan designed to internalize Six Sigma into the HR mindset and as a way to approach its business with the organization. The goals of the plan were to:

- Include the Six Sigma capability within the O.D. function
- Develop a strategic plan for HR in support of the business strategy
- Develop the HR Leadership Team to sponsor HR process improvement work
- Develop a HR dashboard to measure progress

This plan included the following steps:

- Dedicating a full-time HR employee to Six Sigma for HR, reporting into the O.D. Leader.
- Establishing a rolling three-year strategic planning process for the supply chain's people assets. This plan was developed using Six Sigma tools and approaches, thus infusing process thinking into the HR organization. The plan was conducted in alignment with the business planning cycle, establishing linkage and credibility for people strategies with the business.
- Developing a HR Dashboard that linked metrics to each of the strategies on the HR plan. Additionally, two key HR metrics were also on the business dashboard.
- Identifying specific HR strategies for process improvement projects. This approach defined and improved core HR processes and infused Six Sigma approach and thinking into the mindset of HR.

Year One

HR Leadership recognized that the plan, as outlined above, represented a 2 – 3 year change effort. To begin the change process, Six Sigma capability needed to be internalized within Human Resources. During the first year, three Green Belts were certified within the function and the implementation of a dedicated full-time Six Sigma HR professional was established. Additionally, the groundwork was laid for developing a HR Strategic Plan.

Certifications of Green Belts within HR were a critical accomplishment in the first year. These certifications began the establishment of Six Sigma approaches and use of tools within HR. One project streamlined a HR

data input process, saving the department over \$30,000 annually from rework and ensured data input integrity. This project provided clear application of Six Sigma within HR. Less clear, but equally significant, was the application of Six Sigma to the culture building process within the organization.

The Green Belt project around culture development demonstrated to HR and the organization that culture development and people/organizational related issues can be approached from a process and analytical methodology enhancing how the business views culture beyond seeing it as a “soft” dimension to the organization. This project utilized annual employee survey data as the measurement of culture. The process of collecting employee data, analyzing the data, identifying areas of improvement, planning appropriate actions and measuring progress followed the logical Six Sigma process. This process, known in Six Sigma as DMAIC (define, measure, analyze, improve and control), provided the framework to analyze and improve the culture as measured by employee survey results (Pande, Neuman & Cavanaugh, 2002). To begin the project, baseline employee survey data from two years in the history of the organization was utilized.

Using two years of data, analytics were performed on the data to identify the statistically significant issues or questions that were correlated to employees' view of the organization as a positive place to work. In the organization's past, action planning had been focused at the department or division level and often addressed the lowest scoring items, without understanding if those items were statistically significant to the development of the culture in the organization. Analyzing the data using statistical tools provided the determination of the critical issues in the organization. Once those were identified, action planning was focused on these issues across the organization. Action plans were collected, monitored and measured throughout the year. Additionally, improvement targets were set for the next employee survey.

Another key accomplishment during the first year was the systematic documentation of the key HR processes. This was done using Process Definition Documents and SIPOC (Supplier, Input, Process, Output, and Customer) documents. The processes documented included performance management, talent management / succession planning, compensation planning, culture development, organization and work design, employee development and recruiting and ensuring filling positions with talent. This documentation provided clarity to HR and the business on the processes, as well as identifying opportunities for process improvement and measurement.

By the end of the first year, a full-time Six Sigma professional was dedicated to HR and resided in the O.D. function. This professional provided support to the initial Six Sigma projects and began the preparation for the devel-

opment of an HR strategic plan and corresponding HR dashboard. Additionally, the professional provided leadership in the ongoing culture development work, which continued to utilize a Six Sigma approach.

Year Two

During the second year, the Six Sigma HR professional continued to drive Six Sigma projects within the HR organization, certifying additional Belts as well as driving the use of Six Sigma tools within HR. Projects included focus in the recruiting process and time to fill vacancies, streamlining and standardizing overtime payments to exempt associates and the alignment of the organization design process to a Six Sigma approach. The overtime project resulted in cost reduction for the company while the recruiting process identified the bottlenecks in the recruiting process, allowing the HR organization to work more effectively with the business in filling vacancies. The organization design project standardized the process within the organization, which has resulted in building internal capability for organization design.

The development of the first Strategic HR Plan occurred the second year. While this project was not an official Six Sigma Belt project, it utilized Six Sigma tools and was facilitated by the HR Six Sigma professional and a Master Black Belt from the organization. The Team that developed the HR Strategic Plan was made up of representatives from HR and from the Business. The entire process

took approximately 4 months. The main steps and approaches utilized were as follows:

- Using systems thinking approach to strategic planning (Brandt & Haines, 2002).
- Developing a vision for successful outcomes from HR strategies
- Identifying key customers and collecting VOC (Voice of the Customer) data on key HR concerns / issues for the next 1 – 3 years
- Analyzing the VOC data and identifying Key Success Factors (KSF's)
- Utilizing a prioritization matrix process to determine the key VOC issues on which to develop strategy
- Pressure testing the strategy development against the business strategy and with key business leaders throughout the process
- Developing strategic outcomes for the three year period measured by an HR Dashboard
- Identifying key action steps for each of the three years in order to focus HR activity with the business and to systematically move the organization toward improving the people priorities identified in the VOC.

At the end of the process, a comprehensive HR Strategic Plan was developed with a dashboard that supported the strategies (see Figure 1). During this year, the HR Six Sigma professional, along with O.D. and others on the

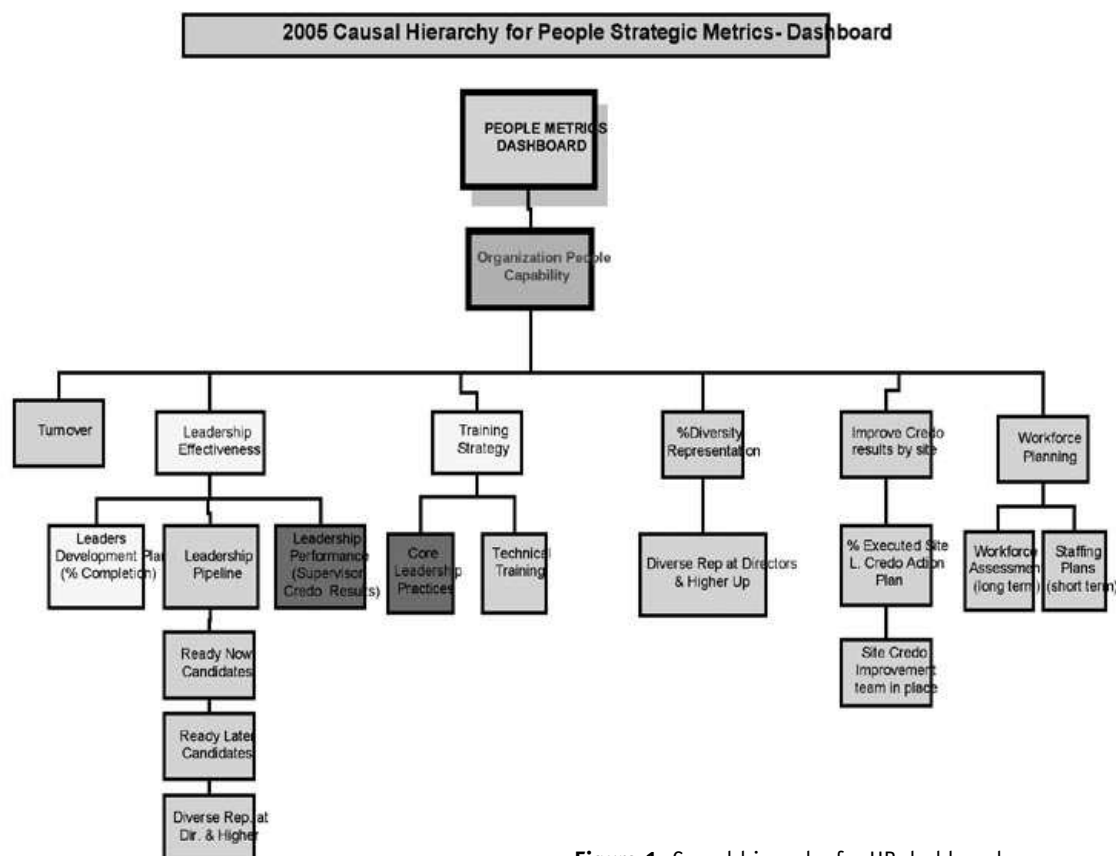


Figure 1. Causal hierarchy for HR dashboard.

team identified areas to improve the process in the future. Most noted was that the HR strategy was developed in a timeframe that was slightly out of sync with the business planning cycle. At the front end, the HR process was leading the business and at the back end, the HR process lagged the business. Secondly, the communication of the HR Plan lagged the communication of the business plan and some areas of the business were lagging in focusing their HR activities appropriately in the first year of implementation.

The culture development work continued in the second year and a third set of employee survey data was collected. The analytics conducted after three surveys did show progress in the key areas of focus, which also impacted the overall opinion of the organization as a positive place to work. These analytics demonstrated that the culture development work was focusing on the right things and the overall approach to action planning and measurement was demonstrating results.

Year Three.

The third year saw the transition of the HR Leadership Team to include Process Leadership. The HR Leadership Team and key business leaders owned the HR Dashboard, reporting on progress to the supply chain management board on a semi-annual basis. The HR Leadership Team developed stronger ownership of Six Sigma projects within HR and connected those projects to the HR Dashboard, further creating alignment between HR activities and strategy. The Six Sigma HR professional continued to drive Six Sigma projects and alignment to the HR Dashboard.

The HR strategic plan underwent its first annual refresh with a team of HR and business professionals. The process was mainly one of validation and updating, rather than creating a new plan because at least two years of work on strategies would be needed to determine progress.

VOC data was collected to answer two key questions: 1) What is the level of knowledge of the plan within the organization and 2) Are the strategies developed in the prior year still relevant to the business? Electronic surveys as well as interviews were conducted to collect data in order to answer these two questions. Following an analysis of the data, the team determined that the level of knowledge of the HR Strategic plan was not as widespread as hoped, yet the key strategies remained relevant. The process of refreshing the plan then became one to strengthen the communication and deployment strategy and updating the plan for the coming year. Strategies were streamlined to focus on key strategic areas of focus and to assume that "base business" HR activities were accomplished through the divisional activities. Finally, the Dashboard was also streamlined to reduce the number of metrics and focus the remaining metrics on the key HR strategies.

Conclusion

Over a period of 24 – 36 months, implementing the plan was a core focus for the Human Resources function. At the end of the time period, there were many indicators of success and change for the function. Some of those included:

- From zero certified Six Sigma belts to 13 certified belts (green and black) in HR.
- Belt projects led to process improvements in areas such as recruiting, culture development, compensation, training and diversity. In addition to process improvements cost avoidance and cost savings were identified in projects related to data input, exempt overtime payment and time to fill vacancies. Cost avoidance was also achieved in avoiding consultant costs on several organization design initiatives that were led in-house.
- The culture development project tracked the progress of statistically significant key drivers of culture through the annual employee survey. Over a four-year period, the results trended in an upward (positive) direction on all key variables. Additionally, overall results on secondary drivers of culture also showed positive trends.
- An HR function that "speaks the language of the business." HR professionals are fluent in Six Sigma tools and integrate their usage into work with business clients. HR projects, such as organization design, utilize a process approach with Six Sigma tools. The business relates positively to an HR organization that "speaks their language" and uses their tools.
- Ongoing annual strategic planning for people, which continues to be in alignment with business strategic planning. This approach develops the organization and moves it toward taking a disciplined approach to organization capability building.

As with any change initiative, the process is one of a journey. Surprises along the way provided opportunity for learning and mid-course correction. When activities proceeded according to plan there was a sense of satisfaction in a process well defined and executed. This journey provided several key learnings that can be transferred to other organizations:

- Resist the temptation to solve all the HR issues at once. VOC data will provide your organization with a wealth of opportunity and that creates great excitement and urgency. However, apply prioritization against Key Success Factors in a disciplined manner so that you can focus your HR strategies to the critical few, ensuring progress and success within the first two years.
- Ensure the alignment of the business planning cycle with the HR strategic planning cycle. The business cycle needs to lead and the HR data must be an input to this process. This requires a balance in timing be-

tween the two processes that is important to examine and plan against.

- Don't underestimate communication needs – effectively communicating HR strategy and dashboards requires a well-planned and multi-pronged communication approach. Communicating ongoing progress through dashboard results is critical to maintain focus both within HR and the organization.
- Ensure that key HR metrics are included in the business dashboard.
- Focus metrics on the critical few. In the first year we measured over 20 metrics and identified main and causal metrics (see Figure 1). The process of collecting and reporting on many metrics was cumbersome and metrics were streamlined in the second year.
- Utilize sound change management practices throughout the process, such as communication plans, ongoing stakeholder management and engagement of HR and business leaders. Seeking input and feedback throughout the process was a key activity to build the needed engagement and commitment over time.

This journey was an O.D. intervention within the Human Resources organization and provided opportunity for development at the organizational, functional and individual level. As with all organizational journeys, the path provides many opportunities for adaptation, action learning and further development. Other HR and O.D. organizations can benefit from the approach and learnings in this intervention. Through leaning into the journey and being willing to adapt along the way, this organization developed its HR strategy and process capability to be more fully aligned to its business. At the end of the day, however, the journey will become your own. Your HR function will find ways to create and add value to its particular business and learn how to connect with business strategy in ways that are meaningful within each particular organization.

References

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Author's Reflection

At the time of the intervention, I was Director of Change Management for the supply chain organization of approximately 4,000 employees. I reported directly to the Vice-President of Human Resources and had one direct report, Operations Excellence Leader (a position defined to drive Six Sigma capability within functional areas, in this case

within Human Resources). The Vice-President of Human Resources was a member of the organization's Management Board and reported to the Company President.

This multi-year intervention was both rewarding and challenging to me as an OD professional. The challenges centered on helping the core team maintain focus and commitment to the process over the length of the intervention. To maintain focus, it was critical to engage people with a long-term change strategy and plan. Important to this was demonstrating progress along the way, something that was easily done through the Six Sigma and measurement aspects of the intervention. Applying core change management tools (stakeholder management, communication planning and building commitment to the work) were critical to the success of the intervention.

My personal learning centered on building my Six Sigma capability and discovering ways to apply the methodology to a support function. After we had developed our first set of metrics, we began working toward identifying predictive measures for HR Strategy, which I found to be very challenging. While we did not identify specific predictive measures, we were able to focus our strategy on work that we felt was predictive of supporting organizational success in the future.

The overall feedback from our business partners was very positive. An operations leader provided positive feedback on having strategies for HR along with measures of success for those strategies. From this operations leader's perspective, applying Six Sigma approaches and identifying an HR dashboard to which we, as a function, were accountable had enabled HR to play on a level field with the other operational groups within the organization where measurement and business rigor were important.

This intervention was successfully accomplished through internal consulting. Although we did engage an external consultant to provide additional HR expertise in the arena of strategy and metrics, the internal consultants were always the leaders and owners of the intervention and conducted the face-to-face work with our clients. As internal consultants, we were able to: build approaches to fit the culture of the organization; adapt quickly; build internal capability and align our HR strategy using the same rigor and approach of the business. We had internal trust in the organization and we were able to build and maintain commitment to the process.

Author Bio

Dr. Kleasen is Director of Human Resources at Johnson & Johnson. Kim has over 25 years HR and O.D. experience in Health Care organizations. She holds a BA (Michigan State University), an MBA (Marshall University) and a Doctor of Education in Organization Change (Pepperdine University).

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